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Farm Outlook

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FARM OUTLOOK

GENERAL BUSINESS . . .

Overall economic activity in the U.S. was nearly stable during the second quarter of this year, with real output of goods and services up only slightly. It now appears the July-September quarter followed the same pattern. Small declines in output occurred during the last quarter of this year.

The recent relative stability plus slight strength in housing and some other areas of business activity indicate the economic slow-down will not deepen and that some recovery is more likely by late this year or early 1971.

On the negative side is the higher rate of unemployment—reaching 5.1 percent in August, the highest in 6 years. While inflationary pressures have continued strong, the wholesale price index declined slightly in August—possibly indicating the upward pressure on prices is easing.

It now appears likely that economic activity will pick up a bit in the fourth quarter and that gradual improvement will continue during 1971. Strong growth, however, does not seem likely for several months. The rate of price increases is expected to slow somewhat and interest rates may also recede from recent levels. Unemployment, however, is expected to edge a bit higher in the months ahead.

CATTLE . . .

Cattle marketings during the October-December quarter are expected to be about the same as a year earlier. Any increase in fed cattle supplies should be small. And though non-fed cattle marketings will be up seasonally, they likely will be below last year.

Demand for beef is expected to be fairly good, but may not be as strong as in 1969 and early 1970. Larger supplies of pork, both seasonally and compared with last year, will provide more competition for beef. Poultry supplies also will be larger. This combination probably will keep cattle prices from showing any strength. But beef supplies are expected to be moderate enough to rule out much price weakness. Prices then may hold fairly close to early September levels, with Iowa prices for Choice steers averaging $23.50-30 during the rest of the year.

Placements into feedlots are expected to be up moderately the last half of this year. The supply of yearling feeder cattle is expected to be larger than a year ago, partially accounting for the increase in placements. The 1970 calf crop is also larger, with the beef calf crop up around 3 percent from the previous year. Larger placements will likely bring a moderate increase in fed cattle marketings in 1971—probably at least 3 to 5 percent.

Fed cattle prices during the first half of 1971 are expected to be below 1970 levels, with Iowa prices for Choice steers averaging near $28-$28.50. During the last half of 1971 prices will average $27 to $29 for Choice steers in Iowa, according to early estimates.

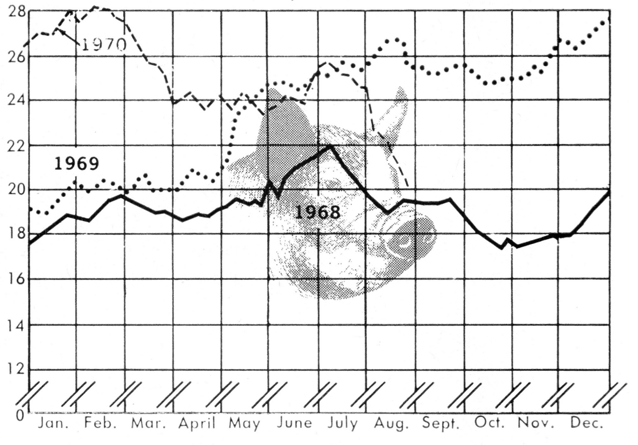
Larger supplies of feeder cattle, higher corn prices and moderate 1970 feeding profits probably will cause some decline in feeder cattle prices this fall. With a smaller corn crop than expected earlier and corn prices likely to average significantly higher than in 1970, demand for feeder cattle is expected to weaken somewhat. The main impact is likely to be on feeder prices, although volume placed on feed may be reduced a little.

HOGS . . .

Hog marketings will be seasonally large during the October-December quarter and will be well above last year's levels. An increase of 12 to 15 percent seems likely, based on USDA estimates of the March-May pig crop.

Demand for pork should be fairly good in this quarter. Competition from beef should be similar to a year earlier, while broiler prices will be somewhat lower than last year. The main market influence, however, will be more pork. And prices are expected to decline moderately from late summer levels—probably dropping to around $17.50 to $18 for 200 to 230-lb. butchers in Iowa.

Weekly Average Price of Barrows and Gilts, Interior Iowa & So. Minn., 200 - 240 Lbs.



Pork supplies during the first half of 1971 are expected to continue well above a year earlier. In June the USDA estimated June-November farrowing plans were 17 percent larger than the previous year. Actual farrowings could be below this, but an increase of at least 12 or 13 percent seems likely. (The USDA's September Report on Hogs and Pigs released Sept. 22 provided later estimates of June-November farrowings in the Corn Belt, but was not available at this writing).

Assuming an increase of at least 12 percent in January-June hog supplies, prices are expected to remain near late fall levels during the first 3 or 4 months of next year. This would mean prices of from $17.50 to $19 for 200 to 230-lb. butchers in Iowa. Some seasonal price strength would be likely in late spring-early summer—probably moving prices to around $22.

Market prospects for the last half of 1971 will be influenced mainly by the size of the 1971 spring pig crop (December-May farrowings). The sharp drop in hog prices during late July and August, along with the price rise on corn, caused a sharp dip in the hog-corn price ratio. By early September, the ratio was below 15, in contrast to an average of around 21 during the first 7 months of the year.

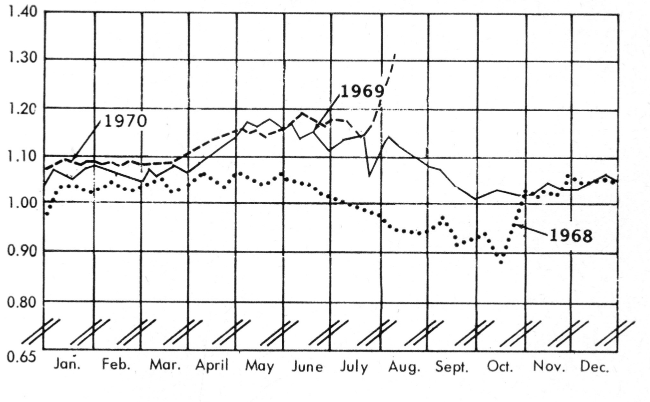
Whether this abrupt change in profitability will moderate farrowing plans for the December-May period remains to be seen. Some further increase in farrowings had been expected. If the 1971 spring pig crop increases further, hog farmers are likely to face very low hog prices during the last 3 to 4 months of next year. Farrowings at or below the 1970 level will be needed to keep prices at profitable levels for most producers. The USDA's September Report on Hogs and Pigs will provide a clue to prospects for this period.

CORN . . .

USDA's September crop report provided the first official estimate of damage from blight and other disease problems. Estimated yield losses were not as severe as generally expected. Nationally, the crop was forecast at 4,403 million bushels—down 6 percent from the August estimate. If actual production is about in line with this figure, the crop would be down 4 percent from last year and would be exceeded only by the 1967 and 1969 crops.

Yield prospects dropped substantially during August in the western edge of the Corn Belt, because of dry weather. Blight damage was confined mostly to the southern states and the eastern Corn Belt, with Illinois reporting a 9 percent decline in yield prospects during

Corn Price, No. 2 Yellow, Central Iowa (Friday Quotation)



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August. This compares with an 11 percent drop in Indiana, a 6 percent drop in Ohio and an 11 percent drop in production prospects for the southern states as a group. The Iowa estimate was lowered 5 percent, with the state average yield now estimated at 95 bushels per acre—3 bushels less than last year.

If September yield prospects materialize, our corn and feed grain carryover probably will be reduced substantially a year from now. However, there are several ways that corn supplies can be rationed if necessary. Higher corn prices will tend to reduce livestock marketing weights and could cut corn requirements by 100 to 150 million bushels nationally. In addition, at least a billion bushels of wheat and other feed grains are available as substitutes for corn, and higher prices will also tend to reduce corn exports. So no actual shortage of grain is likely during the coming year unless corn production falls considerably below the September estimate. However, it will take substantially higher prices than last year to ration supplies and encourage substitution of other grains for corn.

Central Iowa prices for No. 2 new-crop corn during early September were about \$1.27-1.32 per bushel—about 22 cents higher than a year earlier. Prices during the next two months will continue to be sensitive to weather conditions, since unfavorable harvesting weather could increase field losses and push production somewhat below the September estimate. The next official crop report is scheduled for release Oct. 12 and will provide an estimate of changes in yield prospects since Sept. 1.

SOYBEANS . . .

The September crop report forecast 1970 soybean production at a record 1,133 million bushels—up 1.5 percent from last year. The national average yield is estimated at 27.2 bushels per acre, about the same as in 1969.

Iowa's soybean crop is now figured at a record 181.3 million bushels, 4 percent larger than in 1969. Production is expected to be down slightly in Illinois and Indiana, but as large or larger than last year in most other major producing states.

Soybean utilization for the marketing year ending Aug. 31 totaled a record 1.2 billion bushels, and present conditions point to a slight additional growth in demand during 1970-71. Consequently, the 1970 crop seems likely to be moderately below this year's requirements and a further substantial reduction in the soybean carryover is expected a year from now.

Central Iowa prices for new-crop soybeans in early September were about \$2.58 to \$2.60 per bushel—about 42 cents higher than a year earlier. Prices may weaken several cents as harvest gets underway, but a moderate recovery in prices is expected later in the year in order to bring old-crop beans out from reseal loans and government inventories.

—Gene Futrell and Robert N. Wisner